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Malaysia faces fresh political turmoil

Muhyiddin's wafer thin majority has never inspired confidence

Malaysia looks set for a renewed bout of political infighting after opposition leader Anwar Ibrahim claimed that he had majority support of MPs. Anwar's declaration of a sizeable majority – strenuously denied by Prime Minister **Muhyiddin Yassin** – is the latest saga in what has been a tumultuous year for Malaysian politics. Ibrahim has been chasing the top job since the late 1990s and had been promised his turn under a power-sharing agreement with former Prime-Minister and ex-rival, Mahathir Mohammed. Whether Mahathir would truly hand over power was always in doubt and with the fall of Mahathir's government in February, Ibrahim was at somewhat of a loose end.

Ever the fighter, it appears that Ibrahim has been engaged in efforts to peel away government MPs. While the secretaries-general of six coalition parties within the governing coalition expressed support for Muhyiddin, there was some acknowledgement that individual MPs were backing Anwar, whose coalition controls 91 seats. Muhyiddin's government has a majority of just two seats and appears highly vulnerable to any sizeable exodus of MPs. Anwar, however, has a history of claiming majorities that do not exist. Under the Malaysian Constitution, Muhyiddin also has the option to call for fresh elections if he finds himself in minority government. Political uncertainty appears to be the only certainty for Malaysia.

China prepares blacklist of its own

China's patience with trade restrictions appears to be wearing thin

China has accelerated the development of an 'unreliable entity' list which may come to include several major Western firms. The list has been in the works since at least May 2019 – soon after the **US**' first substantial salvo against Huawei – but China has hitherto been reluctant to pull the trigger. China is cognisant of its tech reliance on the US. Moreover, China's private sector is struggling to recover from COVID19-induced lockdowns and the Party is wary of undermining business confidence.

However, with **President Trump**'s administration having severely hobbled Huawei and now acting against Tencent's WeChat and ByteDance's TikTok, Chinese authorities have increasingly felt pressure to act. A team headed by Vice Premier Hu Chunhua has, over the past few weeks, started compiling a list of companies that would be banned from trading with China and investing in the country. Whilst no companies have officially been named, US tech giant Cisco and British bank HSBC are both rumoured to be on versions of the list. There is still a fair chance that China may yet refrain from promulgating the list, lest a future Biden administration adopt a more conciliatory approach. For companies in the firing line, this may only prove to be a temporary reprieve.

Opaque Russian private military companies obscure Russia's defence budget

Russia can maintain PMCs as instruments of foreign policy amidst defence 'cuts'

President **Putin's** plan to decrease military spending in 2021 by 5 percent will not impact the use of proxy groups that have been essential to **Russia's** foreign policy. In fact, it appears nothing more than an empty promise designed to appease frustrated voters. Russia uses private military contractors (PMCs) as proxies in global conflicts ranging from **Libya** to **Venezuela** to **Afghanistan**. PMCs rely on Russian military equipment and supplies. They often provide training to Russian troops. The Kremlin has denied financing these groups.

However, reports suggest that the operators of PMCs are compensated through other state contracts. The Wagner Group is one example. Yevgeny Prigozhin is widely believed to be the funder of Wagner although has denied any link to the group. Prigozhin has been rewarded with hundreds of millions of dollars in state contracts for services as diverse as catering and 'political consulting' services (including electoral interference and troll armies). Wagner is not legally registered as a company. The general opacity and ambiguity surrounding PMCs means their existence can be plausibly denied by Russia. The difficulty in attributing a proxy attack to a state actor is part of PMCs appeal and complicates the process of determining a proportionate military response. PMCs have allowed Putin to covertly expand Russia's geopolitical footprint in the **Middle East**, **Africa** and Mediterranean.

Northeast Syria – a tinderbox waiting to explode?

Northeast Syria is one of the most heavily contested pieces of land on earth

Ever since the **US**' partial withdrawal from **Syria** in early October last year, the security situation in the northeast of the country – an area less than 60,000 km² – has become increasingly fragile and complicated. Fearing an advance by **Turkish** forces, in October last year the Syrian Democratic Forces (SDF) had allowed Syrian regime and **Russian** forces to enter their territory. The result is that now Russian and regime forces – who still lack effective administrative control over the area – patrol areas close to remaining US installations near the Deir ez-Zor oilfields. Turkish and **Iranian** forces – as well as remnants of ISIS – operate nearby.

The local population – most of whom have tribal affiliations – are caught in the crossfire, with Russia, Syria, Turkey, the **UAE** and **Saudi Arabia** all trying to cultivate their allegiance. The Saudis and Emiratis want to create a buffer to Iran's presence in the region, while other powers see the tribes as a check against the Kurds, Americans or both. It is remarkable that so far, the violence has mostly been limited to US-Russian scuffles and a handful of exchanges of fire between US and Syrian forces. The locals however, are not faring so well. As **President Trump** is finding, there is a disjuncture between the rhetoric and reality of withdrawal. Far from withdrawing, the US last Friday quietly sent 100 troops to reinforce US positions. Just when they will be coming home is anyone's guess.

Iranian cyber aggression in MENA

Evolving cyber threat leaves government and business exposed

Iran has demonstrated a brazen use of cyber-attacks to augment its military capability. Critical infrastructure and commercial systems have been targeted. In 2020 alone, Iran has launched cyber-attacks on transport and water infrastructure in **Kuwait**, **Saudi Arabia**, **Israel** and **Pakistan,** and against government bodies and companies in the **US** and **Israel**. Iran's cyber sabotage is becoming increasingly difficult to detect. It is using telecom companies as fronts – on 17 September **United States** Secretary of State **Mike Pompeo** sanctioned a front company that had targeted 15 countries in MENA and individuals and entities in 30 countries globally. Iran has also been recruiting foreign 'hackers for hire' to boost its capabilities.

Resource-dependent economies in the region like Saudi, the UAE, **Qatar**, **Kuwait** and **Oman** appear to be particularly vulnerable. Oil and gas sectors rely on Operational Technology that must operate continuously to monitor and control equipment and processes. The threat is not confined to the region. Despite the US and Israel's absolute military advantage, Iran continues to execute sophisticated, low cost and anonymous operations that jeopardise the value of investments throughout the region.

China's ambitious 'dual-circulation' plan

Increasing consumption has been a state goal of the Party from at least 2007

Ever since a meeting of **China**'s Communist Party Politburo in May, 'dual circulation' has been an increasingly common phrase in official media. So far, the thrust of China's dual-circulation strategy seems to be substituting imports – especially high-tech ones – with domestic production, while increasing domestic consumption. In part, this appears to be a reaction to growing **US** restrictions on China's access to technology – although the Party has pursued self-sufficiency in cutting-edge technology since at least 2015.

More policy details will likely emerge at the Communist Party's Central Committee next month. At the preliminary stage, there appear to be several obstacles to the Party's grand vision. Take China's chip sector as an example. Although the sector is awash with cash it also has a substantial dearth of talent and a litany of unproven start-ups. The few genuinely world class companies are suffering from restrictions on access to US technology. These factors may limit China's ability to wean itself off imports, estimated to be worth $US300 billion this year – the same figure as in 2018 and 2019. Perhaps more fundamentally, China may struggle to induce the consumer spending that would be needed to fuel this new economic model. Approximately 55 percent of China's 440 million workers – many of them low-skilled – live a precarious existence, with little access to welfare. Consumption constitutes around 38 percent of China's economy – far below emerging market peers – and this figure has only increased 2 percent since 2007, despite concerted efforts. If China can defy the odds and successfully change its economic model, OECD exporters will be the ultimate losers.